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TAGS: [PGOV](#) [ECON](#) [KCUL](#) [SOCI](#) [CH](#)
SUBJECT: LI YUANCHAO DISCUSSES REFORM, PROPERTY LAW AT
DINNER WITH AMBASSADOR

REF: A. SHANGHAI 101 AND PREVIOUS

[1](#)B. 06 BEIJING 4689

Classified By: Ambassador Clark T. Randt, Jr. Reasons 1.4 (b/d).

Summary

[1](#)1. (C) Pressing ahead with political and economic reform poses the biggest challenge for Jiangsu, provincial Party Secretary Li Yuanchao said at a dinner hosted by the Ambassador March 8. Interest groups that are unwilling to compromise, especially on issues such as health care, are slowing positive change. The National People's Congress is sure to pass the draft private property law. While its new property protections for individuals and enterprises could limit the provincial government's flexibility in initiating public works, the law is a step forward in safeguarding citizens' rights. Jiangsu continues to move ahead with experiments in village and township elections, while its larger cities are increasingly turning to polling to gauge public sentiment about government performance, Li said. The Ambassador and Li discussed health care reforms, protection of intellectual property rights, development of Jiangsu's rural areas and enhancing the province's academic exchanges with the United States. End Summary.

Who Moved Jiangsu's Cheese?

[1](#)2. (C) For the third year in a row, Party Secretary Li took a break from his participation in the annual National People's Congress and Chinese People's Political Consultative Conference legislative sessions and accepted an invitation to dine with the Ambassador. The dinner discussion was lively and upbeat. Li remarked that the biggest challenge he faces in Jiangsu Province is pressing ahead with economic and political reforms, noting that a main hurdle is convincing various powerful interest groups to sacrifice a little for the larger public good. (Note: A rising political star within the Party system, Li has not vocally advocated democratic openness in China. He has, however, overseen considerable experimentation with elections at the grass-roots level in Jiangsu. End note.)

[1](#)3. (C) The introduction of any quick political or economic change is bound to ruffle feathers, Li said. Referring to the bestselling inspirational book "Who Moved My Cheese," by Spencer Johnson, Li commented that "whatever reforms we pursue, someone will be unhappy." To illustrate the point, Li related that in his own family, there are divisions over how to mend

the health care system. Li's nephew, who heads a medical research firm in Shanghai, believes the Chinese Government interferes too much in health care, particularly on the research and development side. His sister-in-law takes an opposing view, maintaining that the government should significantly ramp up its financial support for health care. His younger brother, who has cancer and spends much time in hospitals, is deeply dissatisfied with the treatment he receives and believes "all medical personnel should be given the death penalty." Such a lack of consensus in society at large is a primary part of what slows the process down, Li said.

Property Law Will Certainly Pass

14. (C) A major reform the NPC is considering this year is a draft law that would expand protection for private property. Li said he attended the March 8 session at which Wang Zhaoguo, an NPC Vice Chair and Politburo member, explained the draft law on property rights. Describing the draft law as "of historic importance," Li said he is certain it will pass. Its basic principle is to accord private individuals and enterprises some protection for their property. For Jiangsu, the law will pose considerable challenges, especially because it will limit the provincial government's flexibility in how it manages land resources. Under the current system, when authorities want to take land for public works, such as for building highways or power plants, they can issue binding orders requiring local residents to depart. The proposed property law, however, requires the consent of residents before any relocations can occur.

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15. (C) Li said he supports the draft law because it enhances citizens' rights. In most cases, officials and residents will be able to reach agreement on compensation and projects will proceed smoothly. But how to handle situations where residents refuse to move will be a question mark.

Voting and Polling

16. (C) Li remarked that despite his role as a top official, he believes the power of government should be answerable to a sound legal system. In connection with this, democratic change in China can only come in the context of rule of law. Jiangsu has experimented with village and township elections. County-level balloting is a ways off because organizing a vote for millions of people is still logistically "too hard," Li contended. At the same time, in the province's big cities, authorities are increasingly turning to polling as a way to gauge public sentiment about provision of government services. In Nanjing and other metropolitan areas, cities conduct annual surveys of up to 10,000 residents. Officials at government departments that receive low marks can be sacked or reprimanded. Although a government agency conducts the polling, Li considers the results reliable because even that agency is a subject of survey questions and can also come in for harsh treatment from respondents.

Health Care Dissatisfaction

17. (C) Poll results indicate that Jiangsu citizens are most unhappy about the health care sector and food safety issues, Li said. But in Suqian, a northern Jiangsu industrial city, an experiment is underway in

which the municipal government provides most basic health care coverage and the hospitals have been privatized. Citizens are appreciably more satisfied with this system, Li stressed, adding that surveys show Sugian residents do not rank health care among their top three or four areas of discontent. But the hospital privatization scheme has elicited harsh criticism from scholars and some officials who believe such market-based solutions are tantamount to the government's abandoning its responsibility to the people. Li enthusiastically agreed with the Ambassador's observation that, in his personal view, China's Ministry of Health is focused less on the interests of citizens than on protecting the medical industry and drug companies, adding that this is precisely the key obstacle to health care reform.

New Rules about Public Finances

¶8. (C) Li related that Jiangsu has instituted reforms in handling its public finances. Whereas before localities could decide on their own how to allocate public funds, now provincial authorities preside over every detail of the process for all levels of government. This centralized approach has the advantage of ensuring that the poorest regions get the money they need to address problems. This is in line with Jiangsu's policy of promoting development in the countryside, Li said, asserting that if larger cities were left to pull the provincial purse strings, they would use money only for their own construction projects.

Suzhou Catches Seoul

¶9. (C) Asked about Premier Wen Jiabao's March 5 Work Report stressing the concept of building a "New Socialist Countryside," Li judged that the idea carries a different meaning in Jiangsu than in other provinces. Without going into specifics, Li said Jiangsu has used it as a basis to address environmental issues and enhance protection of cultural heritage sites. At the same time, cities remain the backbone of Jiangsu's economy. Li lauded the humming development of Suzhou, Jiangsu's second city, where per capita GDP has reached USD 10,000, on a par with Seoul, he claimed. "Suzhou should become China's Europe," he said. Li underlined that he envisions a Jiangsu in which city dwellers and rural residents all belong to the middle class. The aim is

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to spread the wealth from Jiangsu's developed south to its economically lagging north, Li said, adding that it may take as many as 10 to 20 years to do this.

¶10. (C) In response to the Ambassador's comments commending Jiangsu's efforts to combat Intellectual Property Rights infringements, Li readily agreed that protecting IPR is in his province's own interests. Jiangsu has a swiftly growing number of innovators in a variety of fields who need to be defended from piracy. "We are committed to fighting against IPR violations," Li declared.

More Exchanges, Upbeat on APP

¶11. (C) Li described his trip to the United States in May 2006 as a success. His focus on the visit was to promote educational exchanges between Jiangsu and the United States. He reported having productive conversations with education experts about establishing private primary and secondary schools in

the Nanjing area whose aim would be to attract international students. Lauding the 20th anniversary of Johns Hopkins' Nanjing Center, Li related that Nanjing University has signed agreements with six other American institutions, including the State University of New York. The Ambassador pointed out that the State Department has tapped Nanjing as a location for one of the first four proposed American Presence Posts in China, which would certainly bolster the kinds of exchanges Li is seeking. While our Government has authorized a budget, China's Foreign Ministry has still not approved the APP project, the Ambassador said. Li said he hopes the APP in Nanjing can move forward.

Nanjing Wants More Visitors

112. (C) Li extended an open invitation to Members of Congress to visit Nanjing. When foreigners consider China, they immediately think of cities such as Beijing, Shanghai and Shenzhen. Shanghai wants to be considered China's New York. Beijing is the political center. But Nanjing has "everything" a visiting politician could want in terms of having a productive visit. "I will have one banquet for them and then we can go and see everything in Jiangsu," Li remarked.

RANDT